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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Amendments to Uniform System of)
Accounts for Interconnection)

CC Docket No. 97-212

REPLY COMMENTS OF GTE SERVICE CORPORATION

GTE Service Corporation and its affiliated telecommunications companies (collectively "GTE")¹ respectfully submit their Reply Comments on the Notice of Proposed Rule Making in the above-captioned proceeding.² Many commenters agree with GTE and urge the Commission not to create new accounts or subsidiary accounting records to record and/or track revenues, expenses or investment associated with carriers' obligations under Section 251 or any other provision of the Communications Act. Requiring incumbent local exchange carriers ("ILECs") to comply with such requirements would be unduly burdensome and would fail to produce any concomitant benefit.

¹ GTE Alaska, Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., Contel of the South, Inc., GTE Communications Corporation, and GTE Hawaiian Tel International Incorporated.

² *In the Matter of Amendments to Uniform System of Accounts for Interconnection*, 12 FCC Rcd 16577 (1997).

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I. THE RECORD UNDERSCORES THE FACT THAT NEW PART 32 ACCOUNTS OR RECORDKEEPING REQUIREMENTS FOR LOCAL-COMPETITION-RELATED REVENUES, EXPENSES AND INVESTMENT ARE UNNECESSARY.

There is nearly unanimous agreement among incumbent local exchange carriers that new Part 32 accounts should not be created to track revenues, expenses, or investments related to providing interconnection. For example, a number of carriers explain that new Part 32 accounts are unnecessary because the charges associated with interconnection may continue to be recorded in existing Part 32 accounts.³ To this end, these commenters indicate that the Commission may provide greater guidance on the use of existing accounts through a Responsible Accounting Officer ("RAO") letter or other means, if it believes that uniformity is beneficial.⁴ Moreover, numerous commenters point out that creating new accounts solely for the purpose of interconnection would be fundamentally inconsistent with the "functional" nature of the Part 32 system by making an *a priori* allocation of revenues, investment or expenses to particular products or services.⁵

³ See, e.g., Comments of Ameritech, CC Docket No. 97-212, at 7-8 (filed Dec. 10, 1997) ("Ameritech Comments"); Comments of Bell Atlantic, CC Docket No. 97-212, at 4-6 (filed Dec. 10, 1997) ("Bell Atlantic Comments"); Comments of the United States Telephone Association, CC Docket No. 97-212, at 10 (filed Dec. 10, 1997) ("USTA Comments").

⁴ Ameritech Comments at 7-8; Comments of BellSouth, CC Docket No. 97-212, at 5 (filed Dec. 10, 1997) ("BellSouth Comments").

⁵ See Ameritech Comments at 6-7; Comments of SBC Communications, Inc., CC Docket No. 97-212, at 2-4 (filed Dec. 10, 1997).

Similarly, a number of carriers join GTE in urging the Commission to decline to adopt its proposal to create new subsidiary accounting records ("SARs") or other recordkeeping requirements for interconnection-related items. Contrary to the assertion of MCI and several state commenters, such a requirement would indeed create substantial burdens for ILECs, without a resulting benefit.⁶ Ameritech and USTA, for example, echo GTE's concern that requiring ILECs to track investment based upon cost studies developed in the context of interconnection would be unduly burdensome by forcing ILECs to conduct "backwards" cost studies and modify existing reporting systems.⁷ In addition, BellSouth concurs that any such recordkeeping requirements would be of little use given the difference between Part 32 booked (historical) costs and Section 252 costs, which rely on state-approved, forward-looking cost models.⁸

At bottom, any attempt to correlate interconnection-related costs and revenues for recordkeeping purposes also would be misguided. As BellSouth explains, such an

⁶ See Comments of MCI Telecommunications Corporation, CC Docket No. 97-212, at 2 (filed Dec. 10, 1997) ("MCI Comments"); Comments of the Public Utilities Commission of Ohio, CC Docket No. 97-212, at 15 (filed Dec. 10, 1997); Comments of the Staff of the Washington Utilities and Transportation Commission, CC Docket No. 97-212, at 4 (filed Dec. 10, 1997).

⁷ See, e.g., Ameritech Comments at 6; USTA Comments at 9; see also BellSouth Comments at 9. Indeed, MCI's assertion that the Commission should modify ARMIS reporting requirements to include subsidiary accounts, if such accounts are used, illustrates the types of increased reporting burdens that may flow from additional accounts. See MCI Comments at 7.

⁸ See BellSouth Comments at 13-14; see also Comments of the National Exchange Carrier Association, Inc., CC Docket No. 97-212, at 3 (filed Dec. 10, 1997); Comments of the Puerto Rico Telephone Company, CC Docket No. 97-212, at 3 (filed Dec. 10, 1997).

approach should be rejected because it would depart from the Commission's decision in the *Joint Cost Order* not to equate costs and revenues and would disregard practical business realities.⁹ For example, attempting to correlate revenues and costs "ignores the fact that costs may be incurred even if no revenue results" and would be particularly problematic where "revenues will be derived based on cost studies that are inconsistent with the costs recorded in Part 32 accounts."¹⁰

Therefore, the Commission should not adopt new accounts or recordkeeping requirements for interconnection-related revenues, expenses or investment. However, if it nonetheless determines that such requirements are necessary, it should not impose recordkeeping requirements based on forward-looking cost studies or attempt to correlate interconnection revenues and costs.

II. THE COMMISSION SHOULD NOT ADOPT NEW ACCOUNTS OR RECORDKEEPING REQUIREMENTS FOR INFRASTRUCTURE SHARING, RESALE OR OTHER REQUIREMENTS OF THE ACT.

Along similar lines, several commenters agree with GTE that existing accounts and accounting records may continue to be used to record revenues, expenses and investment associated with other carrier obligations under the Communications Act, such as infrastructure sharing or resale. For example, Cincinnati Bell and USTA join GTE in supporting the Commission's tentative conclusion not to adopt new accounts for

⁹ BellSouth Comments at 7-8 (citing *In re Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities*, 2 FCC Rcd 1298 (1987) ("*Joint Cost Order*").

¹⁰ *Id.* at 7-8.

infrastructure sharing because the costs and revenues associated with these activities may continue to be accommodated through existing accounts.¹¹ Similarly, Bell Atlantic explains that separate accounts are not necessary to record the revenues and expenses associated with resale because “[these] services are functionally and technically identical to retail services.”¹²

Accordingly, the Commission should permit ILECs to continue to use existing accounts and SARs to record charges associated with their obligations under the Communications Act. As the record indicates, new accounts are not only unnecessary, but also would place additional accounting costs on ILECs and further increase the competitive disparity between such carriers and competitive local exchange carriers that are not subject to these requirements.

III. CONCLUSION

For the foregoing reasons, new Part 32 accounts or recordkeeping requirements should not be adopted for interconnection-related or any other ILEC obligations under the Act. Rather, GTE submits that the existing Part 32 framework may accommodate

¹¹ See Comments of Cincinnati Bell Telephone, CC Docket No. 97-212, at 5 (filed Dec. 10, 1997); USTA Comments at 10.

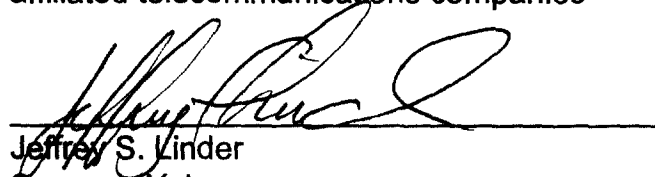
¹² Bell Atlantic Comments at 9; *accord* USTA Comments at 9.

such items, and carriers should be allowed to develop and use recordkeeping mechanisms tailored to their specific systems.

Respectfully submitted,

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